



Fig. 19

Financial Information

REAL ESTATE EDUCATION FUND

As fiscal year 1996 was not a renewal year, revenues to the real estate education fund were derived from new licenses issued and income from investment of the fund and the real estate recovery fund. Revenues for the year totaled \$136,298.

Significantly reduced expenditures of \$367,227 in 1996 reflect the Commission's efforts at controlling expenses. By comparison, expenditures in 1995 were \$555,367.

CONDOMINIUM MANAGEMENT EDUCATION FUND

Because the condominium management education fund's revenues are based on new projects and annual association registration fees, revenues have been relatively consistent from year to year. In 1996, revenues totaled \$269,828 compared to \$270,572 in 1995.

Beginning in 1997, however, association registration will

change from an annual basis to a biennial basis, and revenues will change to a two year cycle, as with the real estate education fund.

Expenditures of \$243,883 were significantly lower than last year's \$308,551 and resulted in an end of year unreserved fund balance of \$462,491.

REAL ESTATE RECOVERY FUND

Since the real estate recovery fund's sole source of revenues is new licensees, over the past five years, revenues have suffered in step with the decline in new licensees. In 1996, revenues fell to \$55,191, compared to \$57,872 last year. Claims paid from the fund are unpredictable because they depend on litigation through the civil court system. In 1995, no claims were paid. In 1996, the fund paid out \$105,554 in claims in four cases involving three licensees.

One of the statutory prerequisites to obtaining payment from the fund is to notify the Commission of a possible claim at the time an action is filed in court. During 1996, the Commission received notice of 27 actions filed. This is a slight increase over the 22 notices received in 1995.

Financial Information

Real Estate Education Fund

Real Estate Education Fund Fund Balance As of June 30, 1996 (Unaudited)

ASSETS

Cash	
In State Treasury	\$174,209
Short-Term cash investment	108,200
Investment securities	81,410
Investment income due from Real Estate Recovery Fund	170,526
	<u>170,526</u>
 Total Assets	 \$534,345

LIABILITY AND FUND BALANCE

Liability	
Payable	\$5,206
Fund Balance	
Reserve for encumbrances	19,538
Unreserved	509,601
	<u>509,601</u>
 Total Fund Balance	 529,139
 Total Liability and Fund	 \$534,345

Real Estate Education Fund Expenditures and Encumbrances For the year ended June 30, 1996 (Unaudited)

I. Operations

Personnel	\$187,290
Supplies	2,471
Postage	3,830
Equipment Rentals/Maintenance	5,646
Machinery and Equipment	674
	<u>674</u>
Total Operations	\$199,911

II. Direct Licensee Education

Real Estate Bulletin	\$16,248
Annual Report	20,488
Hawaii Real Estate Research and Education Center	113,193
Neighbor Islands Outreach	1,325
Meetings	63
Brochures	1,500
Advice, Education, Referral	1,749
Education and Research	10,980
	<u>10,980</u>
Total Direct License	\$165,546

III. Indirect Licensee Education

Interactive Participation w/Other Organizations	\$8,158
Cooperative Education	418
Staff Development	202
Dues and Subscriptions	121
Miscellaneous	14
Fund Audit	12,396
	<u>12,396</u>

Total Indirect Licensee Education 21,309

Total Expenditures \$386,766

Condominium Management Education Fund

Condominium Management Education Fund Fund Balance As of June 30, 1996 (Unaudited)

ASSETS

Cash	
In State Treasury	\$381,245
Short-Term cash investment	100,000
	<u>100,000</u>
Total Assets	\$481,245
	<u>\$481,245</u>
 LIABILITY AND FUND BALANCE	
Liability	
Payable	\$2,393
Fund Balance	
Reserve for encumbrances	16,361
Unreserved	462,491
	<u>462,491</u>
Total Fund Balance	478,852
Total Liability and Fund	\$481,245

Condominium Management Education Fund Expenditures and Encumbrances For the year ended June 30, 1996 (Unaudited)

Personnel	\$63,742
Supplies	3,651
Postage	3,514
Equipment Rentals/Maintenance	5,593
Hawaii Real Estate Research and Education Center	157,492
Education and Research	5,719
Interactive Participation w/Other Organizations	4,781
Equipment for Office	6,704
Staff/Commissioner Development	360
Resource Materials	83
Dues and Subscriptions	64
Fund Audit	8,542
	<u>8,542</u>
Total Expenditures	\$260,245

Financial Information

Real Estate Recovery Fund

Real Estate Recovery Fund Fund Balance As of June 30, 1996 (Unaudited)

ASSETS	
Cash	
In State Treasury	\$301,590
Short-Term cash investment	368,238
Investment securities	<u>312,506</u>
Total Assets	<u>\$982,334</u>
LIABILITY AND FUND BALANCE	
Liability	
Investment income due to Real Estate Education Fund	\$170,527
Fund Balance	
Reserve for encumbrances	5,000
Unreserved	<u>806,807</u>
Total Fund Balance	<u>811,807</u>
Total Liability and Fund	<u>\$982,334</u>

Recovery Fund Claims Paid

For the Year Ended June 30, 1996

Case No.	Licensee	Amount
92-0024	Bert Ugalino	\$25,000
	Irene Ugalino	25,000
91-2680	Bert Ugalino	25,000
94-254	Owen H. Ariki	18,000
95-596	Owen H. Ariki	<u>12,554</u>
Total		\$105,554

Revenues and Expenditures and Encumbrances (1992 - 1996)

(Unaudited)

	1992	1993	Fiscal Year 1994	1995	1996
REAL ESTATE EDUCATION FUND					
Revenues					
Fees	\$109,710	\$812,310	\$75,510	\$695,185	\$68,895
Investment income	45,077	59,403	56,314	33,881	67,403
Total Revenues	154,787	871,713	131,824	729,066	136,298
Expenditures and Encumbrances	591,889	671,590	624,120	555,367	367,227
Excess (deficiency)	(\$437,102)	\$200,123	(\$492,296)	\$173,699	(\$230,929)
CONDOMINIUM MANAGEMENT EDUCATION FUND					
Revenues					
Fees	\$238,046	\$247,892	\$270,872	\$267,716	\$265,885
Investment income			3,389	2,856	3,943
Total Revenues	238,046	247,892	274,261	270,572	269,828
Expenditures and Encumbrances	191,345	197,400	208,645	308,551	243,883
Excess (deficiency)	\$46,701	\$50,492	\$65,616	(\$37,979)	\$25,945
REAL ESTATE RECOVERY FUND					
Revenues	\$96,705	\$72,650	\$60,159	\$57,872	\$55,191
Expenditures and Encumbrances					
Claims	41,151	169,000	12,500	0	105,554
Contract services	27,641	97,708	38,973	56,626	50,562
Total Expenditures and Encumbrances	68,792	266,708	51,473	56,626	156,116
Recoveries	744	818	222	1,181	(555)
Excess (deficiency)	\$28,657	(\$193,240)	\$8,908	\$2,427	(\$101,480)

Fiscal Year 1996 Program of Work—Status Report

EDUCATION REVIEW COMMITTEE

Broker Curriculum and Resources - Carryover: Research, development implementation and administration of amended broker curriculum, including dissemination, rule making, etc. Also, to develop three broker continuing education courses.

Continuing Education 1995-96 Core Course - Carryover: Research and development and maintenance of core course for 1995-96 license biennium, including development and distribution of curriculum materials, and orientation workshop for instructors. Eliminate pretest, elevate curriculum level which should be reflected on post-test.

Consumer Guide - Carryover: Development, production, printing and distribution of a brochure on the new mandatory seller disclosure law for consumers and licensees.

Continuing Education 1995-96 Elective Courses - Carryover: Maintenance of three Commission continuing education elective courses (Fair Housing, Real Estate Investment Analysis, Property Management) and development of additional courses (Seller Disclosure, Advertising, PB/BIC).

Examination - ASI Laws & Rules Report, Curriculum Review and Item Writing - Continuous: Monitor and annual review of curriculum; provide timely laws and rules update report to ASI and coordinate the implementation of any amended curriculum for salesperson and broker into the examinations.

IDW and New Course Briefings - Continuous: Development, coordination and production of IDW for prelicensing and CE instructors, includes course briefings on all CE courses developed by Hawaii Real Estate Research and Education Center.

HREREC Interactive Program - Continuous: Proactive participation and communication with State, national, and international organizations (ARELLO, REEA, NAR, HAR, etc.) and government agencies for information exchange, education, advice, etc.

Legislative and Government Participation - Continuous: Legislative liaison responsibilities, including research and briefing of Legislators, Committee Chairs, legislative staff, including written and oral testimony on material legislative bills. Co-presentation with Commission and/or REB staff on speakership program or other participation to government agencies and officials (county, state, federal, foreign). Includes acts, resolutions or agreed upon directed studies.

Education via Media - Continuous: Develop articles to local and national publications. Study feasibility of continuing the weekly newspaper column through other publications, including neighbor island newspapers.

Real Estate Hotline - Continuous: Administer the delivery system of real estate and condominium information for neighbor island licensees utilizing the WATTS line.

Five Year Education and Research Plan - Continuous: Research, exchange and development of rollover fifth year on the five year education and research plan in the area of real estate, brokers, salespersons and consumers.

Evaluation System for Schools, Providers, Instructors and CE Courses - Carryover: Review, update and/or revise the evaluation system for schools, providers, instructors and courses and complete a guidebook for the volunteer monitors.

Alternative Delivery of Real Estate Education - Carryover: Feasibility study into other means of prelicensing and continuing education course delivery, with priority on the interactive computer software system, including exploring existing software, technology, cost, etc. Feasibility of utilizing HITS program and producing a pilot program.

Real Estate Chair and HREREC Administration - Continuous: Administration of program of work and budget, including contracts, budget joint projects, contracted projects, coordination of activities, Research Corporation of University of Hawaii (RCUH), College of Business Administration. Administration of the Advisory Council.

Evaluation of HREREC and Its Future - Carryover: Study and evaluate the Hawaii Real Estate Research and Education Center.

Administration of Prelicense Education Program, Schools, and Instructors - Continuous: Administration of prelicense schools and instructor applications. Also, implementation and administration of evaluation system on schools and instructors and research, development, printing and distribution of quarterly "School Files."

Administration of Examinations - Continuous. Administration of real estate licensing examination program, coordinate periodic ASI workshops for school instructors, REB staff, test site administrators. Administer instructor examination.

Administration of Continuing Education Elective Courses - Continuous: Provide administrative information to course providers and licensees.

Administration of Continuing Education Program, Providers, and Instructors - Continuous: Administration of continuing education providers, instructors, and courses. Also, implementation and administration of evaluation system on schools and instructors. Feasibility study into the delivery of CE courses through other means, including home study, interactive video programs, HITS, television, cable TV, self study with challenge exams, etc.

Real Estate Education Fund (REEF) - Continuous: Maintenance and review of budget, finance and records for REEF.

Annual Report and Quarterly Bulletin - Continuous: Research, edit, printing and distribution of annual report and quarterly bulletin. Research and report on alternative means of delivery of the quarterly bulletin and annual report.

Meetings and Symposium - Continuous: Plan, coordinate and conduct monthly Education Review Committee meetings and symposiums.

Advice, Education, and Referral - Continuous: Provide advice, education and referral to applicants, licensees, government officials, consumers, the public, organizations, etc. Study and report on the feasibility of providing information and advice with less resources, including use of telephonic prerecorded information system and participation in local e-mail systems and Hawaii FYI.

Neighbor Islands Outreach - Carryover: To organize and convene two ERC meetings at preselected neighbor island sites with CRC and LRRC meetings.

Interactive Participation with Organizations - Continuous: Active participation with Hawaii, Pacific Rim, national and international

Fiscal Year 1996 Program of Work—Status Report (Continued)

organizations and government agencies for the exchange of information and concerns, sharing of education and research efforts, joint projects of mutual concern, training, etc.

Legislative Research and Report - Continuous: Research, participate and/or report on any request by the Legislature, including resolutions, agreements, and issues of mutual concern.

Real Estate Specialist of the Day - Continuous: Real Estate Specialist set-up office on the neighbor islands to provide advice, education, and referral. Joint program with Condominium Specialist of the Day.

Real Estate Speakership Program - Continuous: Subject to State government approvals and priorities, honor request to provide a speaker, resource person, or participant in a function related to real estate education.

Instructor's Development Workshop - Continuous: Development, sponsoring, coordination and/or producing of instructor development workshops for prelicense and continuing education instructors to meet rule requirements.

Uniform Section Waiver of Prelicensing Examination - Carryover: Study the feasibility of recognizing and accepting the uniform section of the ASI exam for candidates who have passed the uniform section of another states' exam.

Educational Waiver Administration - Continuous: Study and evaluate educational requirements of other States and jurisdictions.

Records Management - Carryover: Evaluate, plan, reorganize and implement a centralized, consistent, user friendly, computerized glossary of the existing and future records and files.

Real Estate Reference Library - Continuous: Organize all real estate reference materials into a standardized system that is user friendly and computerized.

New Technology - Continuous: Administration of in-house and network computer system.

Information Distribution System and Radio Program - Carryover: Research, development and implementation of a centralized information distribution system for all the education products produced by the Commission and the Hawaii Real Estate Research and Education Center.

New Salesperson and New Broker Start-up Kits - Continuous: Package and distribute start-up kits for newly licensed salespersons, which will include but not be limited to Licensee Guide, latest annual report, past available bulletins, and special distribution materials with a cover letter Chair message.

Cooperative Education, Research, and Administration Program - Continuous: Actively participate and sponsor cooperative education, research and administrative programs for those persons, Branches, Divisions, Department personnel, Attorney General's Office that provide direct or indirect services to the Commission or are part of a real estate related program.

Division and Department Programs - Continuous: Coordinate activities and programs of mutual concern with the Professional and Vocational Licensing Division and the Department of Commerce and Consumer Affairs.

Information Distribution System - Carryover Program Deferred: Development and implementation of a centralized information distribution system for all education products produced by the Commission and the Hawaii Real Estate Research and Education Center.

Consumer Guide - Proposed New Program Deferred: Development, production and distribution of another consumer series brochure.

RICO Analysis - Carryover Program Deferred: Study RICO complaint records for use for education and research or develop strategy for future process of analyzing material.

Review of All Existing Publications by HREREC and REC - Proposed New Program Deferred: Review all existing publications by HREREC and REC.

CONDOMINIUM REVIEW COMMITTEE

Hawaii Condominium Bulletin - Continuous: Developing, writing, editing, low cost printing and distribution of a quarterly bulletin. Study feasibility of providing the bulletin through electronic medium.

Condominium Board of Directors Guide - Carryover: Develop and maintain a guide for condominium board of directors as a reference guide in the management of a condominium association.

Condominium Survey - Carryover: Survey a cross-section of condominium board of directors, apartment owners, condominium managing agents, and condominium employees to get insight into the needs, problems, education concerns, Commission programs, etc. to be used for the education and research programs.

Welcome to Condominium Living Booklet - Carryover: Develop a 16 page "welcome" booklet for new renters and condominium apartment owners.

Five Year Education and Research Plan - Continuous: Research, exchange and develop five year education and research plan for condominiums.

Condominium Seminars - Continuous: Develop, plan, organize, seminars to be held in all counties, and utilizing the curriculum and brochures developed for the board of directors guide, association budget and reserves guide, new rules, legislative update, or condominium topics of mutual concern.

HREREC Interactive Program - Continuous: Interactive with State, national and international organizations and government agencies for information exchange.

Government and Legislative Participation - Continuous: Responding to any requests or suggestions from REC with the Administration, Governor, Lt. Governor, Cabinet members, Legislators, Mayors, City Council members, Congressional members, and other government officials.

Condominium Hotline - New program: Administer the delivery system of condominium information for neighbor islands.

Education Via Media - Carryover: Study the feasibility of developing a weekly or bi-weekly newspaper column on condominium issues.

Fiscal Year 1996 Program of Work—Status Report (Continued)

Condominium Association Budget and Reserves - Carryover: Continued review of the budget and reserve guide, monitor and report on IRS position on budget and reserves, make recommendations.

Real Estate Chair and HREREC Administration - Continuous: See ERC Program of Work description.

Rule-Making, Chapter 107 - Carryover: Study and evaluate Chapter 107, HAR, and Chapter 514A, HRS, for rule making, consider deregulation where possible and without reducing consumer protection and/or reducing State resources.

Rule Making, Chapter 53, Fees - Continuous: Monitor and review services provided in relation to fees.

Condominium Project and Public Reports - Continuous: Evaluation of the process, records, forms, information documents, rules, coordination with other governmental agencies, attorneys, etc. to ensure a more timely processing and review time.

Condominium Association Registration - Continuous: Review and monitor program for improvement or problem areas.

Condominium Managing Agents Registration - Continuous: Review and monitor program for improvement or problem areas.

Condominium Management and Education Fund (CMEF) - Continuous: Maintenance and review of budget, finance, and records for the Condominium Management Education Fund (CMEF).

Advice, Education and Referral - Continuous: Provide advice, education and referrals to the condominium community, applicants, consumers, licensees, government officials, organizations, and the public.

Condominium Mediation and Arbitration Program - Continuous: Research, develop and publish a brochure on dispute resolution, the mediation and arbitration programs.

Meetings and Symposium - Continuous: Plan, coordinate, and conduct monthly Condominium Review Committee meetings.

Legislative Acts and Resolutions - Completed: To review and carry out responsibilities of the 1996 Legislative acts and resolutions, provide summary of condominium and related acts and resolutions.

Government and Legislative Participation and Report - Continuous: Develop and distribute annual report to the Legislature on condominium management education fund, program of work, budget and mediation program. Provide briefings to Legislators and staff. Respond to elected officials, inquiries/complaints, request for information, etc.

Neighbor Islands Outreach - Continuous: Coordinate and conduct two CRC meetings at neighbor island sites with ERC and LRRC.

Interactive Participation with Organizations - Continuous: Active participation with local, Pacific Rim, national and international organizations and government agencies for the exchange of information and concerns, sharing of educational and research efforts, joint projects of mutual concern, training, etc.

Condominium Specialists Office for the Day - Continuous: Condominium specialist set-up office at various neighbor island locations to meet and discuss condominium concerns and also to provide for training for RICO investigators.

Condominium Speakership Program - Continuous: Subject to approval and priorities, honor requests by associations, CMAs, interested groups, colleges or universities, Legislators, government agencies, etc. for participation in some type of program as a speaker or resource concerning condominium issues.

New Technology Program - Continuous: Administration of in-house and network computer system.

Condominium Reference Library - Continuous: Develop and maintain materials for a condominium reference library at public libraries, Commission office, mediation services offices, and especially neighbor islands.

Start-up Kit for New AOA's and New CMAs - Continuous: Distribute start-up kit to new condominium AOA's and new CMAs.

Cooperation Education, Research, and Administrative Program - Continuous: Actively participating and sponsor cooperative education research, and administrative programs for those Departments, Divisions, Branches that provide direct or indirect services.

Division and Department Program - New Program: Coordinate activities and programs of mutual concern with the Professional and Vocational Licensing Division, Regulated Industries Complaints Office and the Department of Commerce and Consumer Affairs.

Records Management - Continuous: Administer and organize all records, reference materials, reports, minutes, legislation, rules, AG opinions, contracts, etc.

CPR Project Review Guide and Meetings - Continuous: Research and update CPR project review guide as necessary.

Case Law Review Program - Continuous: Monitor, collect, and report on judgments and decisions on Hawaii, federal and other states' court cases.

Limited Equity Cooperatives - Continuous: Develop forms, procedures, and the process for the Commission's requirements under Limited Equity Cooperatives, Chapter 421H, HRS.

Information Distribution System and Radio Program - Program deferred: Develop an external source or internal system for distribution of all condominium educational products produced by REC and HREREC.

Adjunct Condominium Survey - Program deferred: Condominium survey.

Condominium Board of Directors Guide - Program deferred: Development of guide composed of four (4) chapters of various topics.

LAWS AND RULES REVIEW COMMITTEE

Principal Broker and Broker-in-Charge Brochure - Carryover: Research, develop, printing and distribution of brochure.

Professional Responsibility Course - Carryover: Research and development of curriculum and materials for an independent study course on professional responsibility to be utilized for certain type of disciplinary cases, restoration, and reinstatement of license situations.

Advertising Brochure - Carryover: Research and development, printing and distribution of brochure.

Broker Experience Certification - Carryover: Study, evaluate and make recommendations on broker candidate experience criteria, guidelines, proposed rules, forms, etc.

Hawaii Real Estate Laws and Rules Manual/Hawaii Real Estate Reference Manual - Continuous: Research, development and amendments

Fiscal Year 1996 Program of Work—Status Report (Continued)

to Hawaii Real Estate Laws and Rules Manual and Hawaii Real Estate Reference Manual.

Real Estate Seminars - Carryover: joint program with ERC.

Real Estate Recovery Fund - Continuous: Provide information and advice, maintain, process and administer claims against the Recovery Fund.

Rule Making, Chapter 99 - Carryover: Study and evaluate Chapter 99, HAR and Chapter 467, HRS for possible rule making.

Rule Making, Chapter 53, Fees - Continuous: Monitor and review services provided in relation to fees charged.

Real Estate Licensing Administration - Continuous: Review and recommend amendments to the administration of new real estate licenses.

CHO Registration - Continuous: Review and recommend amendments to the administration of condominium hotel registration.

Meetings and Symposium - Continuous: Plan, coordinate and conduct monthly LRRC meetings and symposium.

Advice, Education and Referral - Continuous: Provide advice, education and referral to applicants, licensees, government officials, consumers, public, etc.

Neighbor Island Outreach - Continuous: Joint program with ERC and CRC.

Legislative Acts and Resolutions - Carryover: Review legislative acts, amend Chapter 467, HRS, public copy.

Legislative and Government Participation - Carryover: To provide briefings to legislators and staff, act as resource to Legislators, draft language, committee reports, etc.

Interactive Participation with Organizations - Continuous: Joint program with ERC and CRC.

Review of Services and Organization - Continuous: Study and evaluate services provided to the consumers, real estate licensees, applicants, etc. and whether it meets the statutory duties and its intent.

Application Processing and Forms - Continuous: Study and evaluate the processing of application forms, the wall and pocket card license, forms and instructions.

ARELLO National Disciplinary Action Data Bank - Continuous: Participation in the ARELLO National Disciplinary Action Data Bank to assist in background review of applicants and assist in consumer protection nationally.

Licensing Renewal - Continuous: Analysis of the renewal program.

Commissioners Education Program - Continuous: Research and draft amendments to the Professional and Vocational Licensing Division's Operations Manual for distribution to Commissioners.

Division and Department Programs - Continuous: Joint program with ERC and CRC.

HUD/ARELLO Fair Housing Agreement - Continuous: Administer the terms of the agreement and coordinate annual review by HUD officials.

Case Law Review Program - Continuous: Monitor, collect and report on case law, disciplinary actions, judgements and decisions on Hawaii court cases, federal court cases, and other states court cases.

Mandatory Seller Disclosure Act - On-going: Continue to monitor new law.

Agency Review Study and Report - Program deferred: Review and study agency in Hawaii, including other states, NAR, case law review, complaints, etc.